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EAST EUROPE BRANCH NOTE

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CZECHOSLOVAKIA

Czechoslovakia Seeks Alternative Sources of Petroleum

Prague and Budapest have signed an agreement to construct the Hungarian section of the Pan-Adria oil pipeline. Terms of the agreement provide Hungary with Czechoslovak credits for construction materials. The completed pipeline (scheduled for late 1976) will link Czechoslovakia and Hungary with the deep-water ports of Omisalj, Yugoslavia, the projected terminus for Arabian oil.

Prague's willingness to cooperate with Hungary in the Adria project is consistent with its other efforts to diversify energy sources. Currently only a small percent of petroleum requirements is supplied by Arab producers via rail from Yugoslav ports.

By making provisions for more abundant supplies of Arab oil, Czechoslovakia can lessen its overwhelming dependence on Moscow for crude oil. Moscow's ability to exert overt pressure, however, will not be diminished. Moreover, the hard currency drain to Arab countries and the instability of Middle East oil suppliers, may well lead Czechoslovaks to yearn for the relatively cheaper and more secure supply of crude oil from the Soviet Union.

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